

Corn, Soybeans Expected To Mature Without Frost Damage

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Corn was up, cotton, soybeans and wheat down for the week. Weather forecasts have been flip flopping as to when a frost/freeze will hit the Midwest. Unless something changes drastically, it appears the corn and soybean crop will mature with minimal frost damage. There is some concern about quality and test weight issues that could impact production, but until combines really start rolling the true picture won't be known. The U.S. Dollar strengthened slightly during the week to 77.02, up .34 for the week. The Dow Jones Industrial Average is down slightly over 1 percent for the week, at 9693 before the close. Crude Oil was down over \$6 a barrel on an increase in inventories suggesting weak oil demand. Oil was trading at 66.01 a barrel before the close on Friday despite heightened tensions about Iran's nuclear program and comments from President Obama and other Western leaders. Demand or usage is such that a big crop is still needed. There is concern that usage may be overstated and with the frost/freeze threats diminishing and a big crop expected downward pressure may return on prices. For now, we appear to have some pricing opportunities for those who need to catch up on pricing. Rarely, do we see strength right before or at harvest with a big crop expected. The October 9 USDA report will most likely show an increase in corn and soybean yields. This report will also combine the NASS acreage estimates with FSA certified acres. There is always the potential for an acreage change. The September 1 Quarterly Grain Stocks report will be released on September 30.

Corn:

New Crop: December 2009 futures closed at \$3.34 a bushel on Friday, up \$.16 bushel from last week. Support is at \$3.17 bushel with resistance at \$3.48 bushel. Weekly exports sales were 26.5 million bushels, about expected. As of September 20, the crop condition ratings for corn were 68 percent in the good to excellent rating compared to 69 percent the previous week and 59 percent a year ago. The percent dented is 80 percent compared to 66 percent last week, 89 percent last year and the five year average of 93 percent. Nationwide, 21 percent of the corn crop is mature compared to 12 percent last week, 30 percent last year and the five year average of 55 percent. The corn crop nationwide is about 2-3 weeks behind the five year average. Trade estimates for the quarterly report show stocks on September 1 to be 1.72 billion bushels compared to USDA's latest estimate of 1.695 billion bushels. Corn has shown strength this week in despite of a drop in the price of oil, stock market down, and slight strength in the dollar. This strength is giving the impression that a bottom has been put in. I am not convinced that has happened yet. I would expect the corn market to trade somewhat sideways until harvest starts in earnest and yields are determined. If the market remains in the top end of the \$3.00 - \$3.50 trading range, I would look to contract un-priced grain or sell across the scales depending on when harvest is expected. In the bottom of the range or under \$3.00, storage or an alternative should be considered depending on cash flow needs. I am currently 50 percent forward priced with another 50 percent in put options.

Deferred: The March 2010 futures contract closed at \$3.47 bushel, up \$0.15 from last week. The September 2010 contract closed at \$3.72, up \$0.15 bushel from last week.

Cotton:

Nearby: The October Cotton futures closed at 60.60 cents/lb, down 2.58 cents/lb from last week.

New Crop: The December 09 futures closed at 61.94 cents/lb. down 2.66 cents/lb. from last week. Cotton today traded through the support level of 62 - 63 cents. Resistance had been at 65 - 66 cents. Weekly exports sales were 60,000

bales, about expected. Overall crop condition ratings as of September 20 were 50 percent good to excellent compared to 51 percent last week and 48 percent last year. Boll opening is at 46 percent compared to 35 percent last week, 48 percent last year and the five year average of 57 percent. Cotton is running about a week behind the five year average. Wet weather in the in the Mississippi Delta and Southeast have caused an increase in the very poor to poor ratings in Arkansas, Georgia, Louisiana, and Mississippi possibly trimming yield prospects. With no real cotton news out today, the market is most likely responding to outside pressure and profit taking. Be in contact with your cotton buyer for current prices as well as loan options.

Soybean:

New Crop: November futures closed at \$9.26 bushel, down \$0.15 bushel from last week. Support is at \$8.92 with resistance at \$9.43. Weekly exports were 42.3 million bushels, above expectations. China has committed to buy 421.6 million bushels of U.S. soybeans this marketing year which is 61 percent of their total imports from the U.S. in 08/09 and 29 percent of their total imports. The question that has to be raised is whether these commitments will continue and will represent additional sales. The alternative is whether South America produces their projected record crop, and China shifts business back to them, either curtailing purchases from the U.S. or possibly canceling sales on the books. Currency valuations will no doubt play a role in those decisions. Actual shipments for the first three weeks of the marketing year have been slow and below pace to meet projections. As of September 20, crop conditions have the crop rated at 67 percent good to excellent compared to 68 percent last week and 57 percent in 2008. The percent soybeans dropping leaves was advanced to 40 percent compared to 17 percent last week, 41 percent last year and the five year average of 58 percent. On the average this crop is about a week behind, but is maturing quickly. Soybean rust has been found in most of the South, as well as Missouri, Kentucky, and along the Kentucky-Illinois border, and Kentucky-Indiana border. Some precautionary fungicide spraying has occurred, but this late in the season very little yield loss is expected. The frost/freeze threat is lessening each day, but yields will remain a question mark until more is harvested. The early soybeans have been outstanding, especially in the South. Export sales to China and the tight stocks have been supportive. The trade is estimating soybean stocks on September 1 to be 115 million bushels compared to USDA's latest number of 110 million bushels. If yields come in higher than the current projection of 42.3 bushels/acre, downward pressure will be put on the market. I am currently 50 percent forward priced with another 50% priced with put options.

Deferred: The March 2010 contract closed at \$9.32 bushel on Friday, down \$0.15 bushel from last week. The November 2010 contract closed at \$9.07 bushel, up \$0.03 bushel for the week.

Wheat:

Nearby: The December 2009 futures contract closed at \$4.50 bushel, down \$0.08 bushel from last week. Weekly exports were 18.6 million bushels, on the high range of expectations. As of September 20, Spring Wheat is at 85 percent harvested compared to 69 percent last week, 96 percent last year and the five year average of 96 percent.

New Crop: The July 2010 futures closed at \$5.01 bushel, down \$0.01 bushel from last week. Support is at \$4.92 bushel with resistance at \$5.34 bushel. For the 2010 crop, I am 5 percent priced at \$6.00 bushel and would add more at \$5.50 bushel. Δ

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